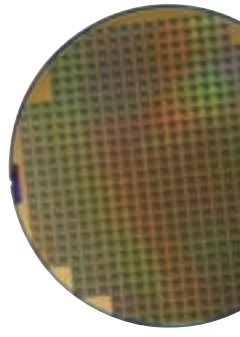


See What
Makes Texas
a Global Player

PAGE 2



The Travels
of a Texas Chip

PAGE 6



Avoiding
International
Etiquette
Blunders

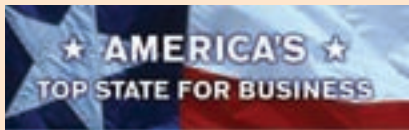
PAGE 8

FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts, July 2008

JUNE REVENUE (IN MILLIONS): SALES TAX: \$1,778.6 OIL PRODUCTION: \$158.1 NATURAL GAS: \$256.5 MOTOR FUELS: \$264.6 MOTOR VEHICLE SALES: \$270.7 TOBACCO: \$137.2

Texas Tops the Nation for Business, says CNBC



Texas is the nation's top state for business and boasts the best all-around economy in the U.S., according to a CNBC study that measured 40 different factors of competitiveness.

In the last 12 months, more than half of the job gains among all U.S. states were in Texas, accounting for more than 73 percent of entire job gains for all states from June 2007 to June 2008. Over the last 5 years, the state has added more than 1.3 million net new jobs to our economy. That's more than the next top nine states in the country.

"We promote strong economic growth in Texas and have developed strong programs that allow businesses to grow and prosper," says Comptroller Susan Combs. "Our state's business-friendly climate, superior colleges and universities, leadership in innovation and technology, and the growth of our work force initiatives continue to make Texas a great place to live and do business."

CNBC ranked Texas No. 1 in transportation, business friendliness, cost of living and quality of life — key factors that attract and retain businesses and skilled workers.

Gateways to the Globe

Panama Canal expansion puts Texas ports at the world's door.



Photo courtesy of Port of Houston Authority

From Houston to Corpus Christi, Texas seaports are expanding in anticipation of a massive increase in cargo traffic.

In fall 2007, work began on a \$5.6 billion expansion of the Panama Canal that will essentially double its capacity with a new lane of traffic, longer and wider locks, and deeper channels. When completed in 2014, the canal will accommodate ships carrying up to 10,000 twenty-foot equivalent units, or TEUs. One TEU is equal to a 20-foot section

of a standard marine shipping container and is the standard unit for measuring cargo.

"About 12 to 13 percent of containers that come to us come through the Panama Canal," says Jim Edmonds, chairman of the Port of Houston Authority (PHA). "When they widen those locks and deepen the channels and go from a 5,100 TEU ship to a 10,000 TEU, it will be a real godsend for us."

CONTINUED PAGE 10

The Global Elite

World trade makes Texas a global player.

You may not be interested in globalization — but globalization is interested in you.

Even if you never travel beyond the county line, you're surrounded by products from around the world, from the TV in your living room to the clothes on your back. And if you've got a job in Texas, chances are good that your livelihood is linked, directly or indirectly, to our trade with foreign nations.

International trade has been going on for as long as nations have existed, of course. But never before has it been as extensive as it is today.

Globalization, defined broadly, is simply the reduction and removal of barriers to the free flow of goods, services and information among nations. Such barriers have been disappearing rapidly in the last few decades, creating an unprecedented flow of worldwide trade and the beginnings, at least, of a single global market.

The rise of the globally interconnected economy has been controversial at times, and, as with all major economic shifts, has not been without pain. But globalization has expanded the range of goods and services available to all consumers while lowering their costs, and created new markets and new economic opportunities for U.S. companies.

And Texas in particular has reaped major benefits.

Top Exporter

Texas has been the nation's No. 1 exporting state since 2002, due not only to its own business activities but also to its position as a major national hub for sea, land and air transportation.

Mexico remains our largest trading partner; our neighbor to the south received \$56 billion in exports from Texas in 2007. Another partner, Canada, was second, receiving \$16.8 billion in Texas exports in

the same year. But third-ranked China and other emerging economies are becoming increasingly important (see sidebar).

According to the Federal Reserve Bank of Dallas, about 15 percent of Texas' economic output is related to exports. That's nearly twice as big a share as for the U.S. as a whole. That impact translates into jobs. International Trade Association figures indicate that nearly a quarter of all Texas manufacturing jobs depended on exports in 2006.

Texas companies are heavily committed to world markets. ITA reports that nearly 22,000 companies exported goods from Texas in 2006. Interestingly, 92 percent of those — 20,121 companies — were classified as small and medium-sized enterprises with fewer than 500 employees.

"Globalization allows the smallest of firms to play a role," says Ebetuel "Beto" Pallares, executive director of the TransPecos/El Paso Regional Center of Innovation and Commercialization. "It allows for specialization and a faster pace of growth."

CONTINUED PAGE 4





Brisk Trade with BRIC Nations

In the last five years, the dollar value of Texas exports to the rapidly growing “BRIC” nations — Brazil, Russia, India and China — has risen dramatically.

Texas Exports to BRIC Nations, 2002-2007
(amounts in thousands)

Nation	2002	2003	2004	2005	2006	2007	Percent Increase, 2002-2007
Brazil	\$1,958,764	\$1,633,846	\$1,737,317	\$2,271,335	\$3,184,536	\$3,903,301	99.3%
Russia	537,949	474,171	448,868	612,624	770,495	1,177,279	118.8%
India	408,154	568,779	783,666	967,982	1,158,463	1,645,797	303.2%
China	2,064,267	3,059,559	4,455,739	4,901,323	6,643,380	8,272,890	300.8%

Most common Texas exports to the BRIC nations include chemicals, machinery and computers and electronics equipment.



Top Texas Exports to Brazil, 2007
(amounts in thousands)

Chemical Manufacturers	\$1,671,057
Machinery Manufacturers	981,786
Computers & Electronics	392,260
Transportation Equipment	267,587
Petroleum & Coal Products	253,292
ALL OTHER	337,319
TOTAL	\$3,903,301



Top Texas Exports to India, 2007
(amounts in thousands)

Chemical Manufacturers	\$526,974
Machinery Manufacturers	333,304
Computers & Electronics	249,628
Petroleum & Coal Products	117,645
Waste & Scrap	96,445
ALL OTHER	321,801
TOTAL	\$1,645,797



Top Texas Exports to Russia, 2007
(amounts in thousands)

Machinery Manufacturers	\$655,985
Transportation Equipment	158,735
Chemical Manufacturers	121,226
Computers & Electronics	90,430
Primary Metal Manufactures	39,901
ALL OTHER	111,002
TOTAL	\$1,177,279



Top Texas Exports to China, 2007
(amounts in thousands)

Chemical Manufacturers	\$2,589,003
Computers & Electronics	1,725,345
Machinery Manufacturers	1,230,667
Waste & Scrap	685,903
Crop Production	618,522
ALL OTHER	1,423,450
TOTAL	\$8,272,890

Source: U.S. International Trade Administration

The Global Elite

Doorway to the Nation

Texas seaports, airports and the inland ports on the Mexican border are among the nation's busiest destinations for imports, which benefit state industries related to transportation and warehousing, among others. Texas port activity rose more than twice as fast as the nation's between 1997 and 2006.

U.S. Department of Transportation (DOT) statistics for 2004 (most recent available data) indicate that Texas ports received more waterborne foreign shipments, as measured in tonnage, than any other state, accounting for nearly 28 percent of all such shipments received in the U.S. in that year.

Texas also dominates surface (truck and rail) trade with Mexico, receiving about \$34 billion in imported merchandise from our southern neighbor via these means in 2005, or about a quarter of the U.S. total.

In 2007, Texas received more than \$287 billion in imports. Unsurprisingly, given

Texas' status as the leading energy-producing state, the most common import by far was machinery related to energy and power generation, with a total of \$107.4 billion for the year. The miscellaneous machinery and appliances category was a distant second, at \$48.5 billion.

Good Investments

Texas businesses also benefited from increasing foreign investment. Texas ranked first among states in foreign investments in 2007, attracting more than \$14.9 billion. In 2005 (most recent data available), foreign companies employed 344,600 workers in Texas, including more than 84,000 manufacturing workers, nearly one in 10 of all such jobs in the state.

Texas has a number of features that are attractive to foreign companies, says Anurag Kumar, senior manager at Dell and a board member of the Austin chapter of

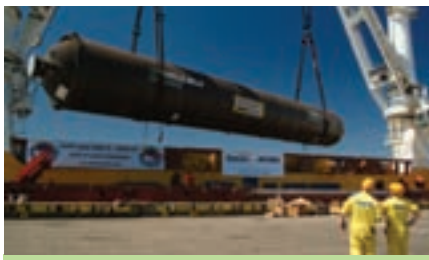
The Indus Entrepreneurs (TiE), an organization that links South Asian entrepreneurs with business opportunities in the U.S. and throughout the world.

"Clearly, the size of the state doesn't hurt," says Kumar. "There's a lot of room to build offices and commercial facilities. Yet the majority of the state population is concentrated in four metropolitan areas that are fairly close to each other. It makes it easier to go after a large base of customers.

"It's also a business-friendly state. Texas doesn't have an income tax, and the cost of living is very attractive for executives and workers," he says.

Attractive Talent

A bigger factor in Texas' success in foreign trade, however, may be a highly educated work force.



Photos courtesy of Port of Houston Authority

Texas workers can't compete with their counterparts around the world on wages alone, since the U.S. is a relatively high-wage nation. The quality of the worker, then, becomes all-important, both for exports and foreign investment.

This is particularly true in Texas' burgeoning high-tech manufacturing sector. In 2007, computers and electronic products were the state's second biggest export, with a value of \$33.7 billion. The Dallas Federal Reserve estimates that 48 percent of Texas jobs related to computers and electronic equipment depend on exports.

Fortunately, "there are great schools, the University of Texas and Texas A&M systems, that continue to produce quality graduates," Kumar says. "And we have noticed that a lot of them tend to stay in Texas, even if they're from out of state. There's good retention of talent."

This talent has caught the attention of foreign investors. Despite recent fears of U.S. job losses to India's exploding high-tech sector, Kumar notes that Texas is luring many of those companies.

"A lot of companies in India are acquiring Texas companies and opening up huge offices here," Kumar says. "The second-largest IT company in India, for instance, Infosys, is planning to open a huge complex in Dallas. This will be a second headquarters, which speaks to the attractiveness of Texas talent.

"Another multi-billion-dollar Indian company, Tech Mahindra, is using Dallas as a large operations center," he says. "They have a lot of employees in Texas. It's no longer jobs going offshore — these companies are hiring local talent and bringing in people from out of state." **FN**

BRIC on the Rise

The state's most significant trading partner is Mexico, but other markets are becoming increasingly important. Texas exports to China in particular have skyrocketed, rising in dollar value by more than 300 percent since 2002.

This Texas experience reflects one of the largest trends in the world today: the emerging economies of developing nations. Many economists single out four of these as having the potential to dominate world trade in the 21st century: Brazil, Russia, India and China, collectively called the BRIC nations.

The Census Bureau estimates that the BRIC quartet represents 42 percent of the world's population in 2008, and all four are poised to undergo dramatic economic growth in the coming decades. Texas exports to all four nations have risen dramatically in the last five years, at rates ranging from 99.3 percent for Brazil to a whopping 303 percent for India.

In all, Texas exported nearly \$15 billion worth of products to the BRIC nations in 2007.

For more information on Texas exports to BRIC nations, see Brisk Trade with BRIC Nations on p. 3.

Coming to America

In 2007, \$287.1 billion worth of imported goods entered the United States through Texas ports. Energy and power generating machinery accounted for about 37 percent of the total.

Commodity	Total Imports
Energy & Power Generating Machinery	\$107,356,568,892
Misc. Machinery & Appliances	48,509,147,731
Telecom & High Technology	35,673,744,175
Vehicles & Transportation	30,452,626,474
Metals & Minerals	20,803,520,224
Other	15,301,426,689
Chemicals & Plastics	11,955,404,135
Food & Tobacco	7,618,902,540
Textiles & Apparel	6,267,566,333
Timber & Paper Products	1,535,273,209
Medical & Pharmaceuticals	805,521,448
Agriculture & Livestock	804,707,498
Total Texas Imports	\$287,084,409,348

Source: Texas Business and Industry Data Center

From Point A to Point B

Millions of silicon wafers make world tour before arriving in your MP3 player.

Small Parts, Big World

In a global economy, companies rely on technology-based logistical systems to track components as they move throughout the world. Often, parts stop in several countries to eventually integrate into a finished product.

"If a customer calls us, we can go back and find out everything about that chip."

– Bill Cryer, Samsung

An example of how products move globally is found at Samsung Austin Semiconductor. The South Korea-based electronics giant employs a complex system to track the millions of memory chips it produces in Texas annually.

Eyeing the Product

Up to 1,200 Samsung memory chips can be housed on a single silicon wafer, which can then be built into various electronic components. Each wafer has a serial number, as does each of the chips it carries. The numbers are accessible when questions about product location and status transport arise, says Bill Cryer, a company spokesman.

"If a customer calls us, we can go back and find out everything about that chip," he says.

The Process

Workers at Samsung's Austin Semiconductor add memory chips to tiny, 300mm wafers in a 300,000-square-foot clean room. The product then loops back to Korea and China.

"About 75 percent go to Onyang, South Korea and the rest to Suzhou, China," says Cryer.

"These plants cut the individual chips off the wafers, test and package the chips into the configurations required by our customers, mostly large electronic

manufacturers, such as Dell Computer, Apple, HP, and others," he says.

Keeping Track of Business

Radio frequency identification, or RFID, offers advanced methods for tracking goods. Information is stored on a microchip that is attached to an antenna. The antenna allows the chip to transmit data to a reader. The reader converts the radio waves to digital information that computers can read.

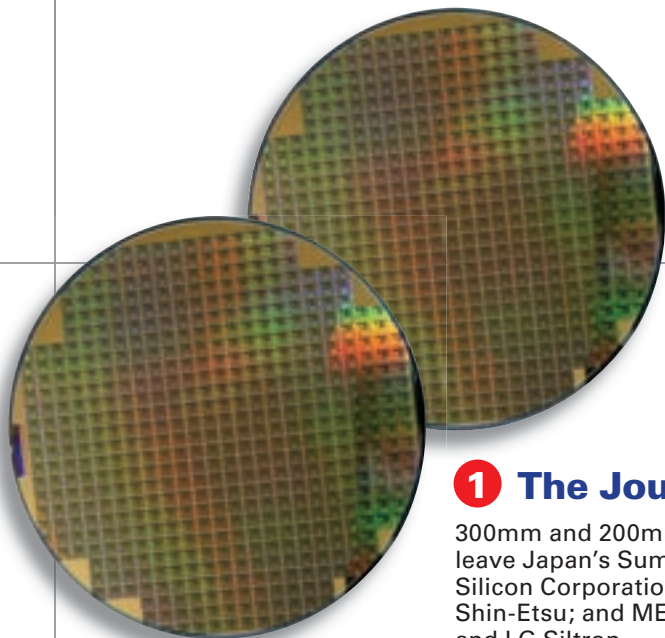
Dallas-based Texas Instruments, a leader in RFID technology development, uses it to track its own 12-inch wafer units. Today, 80-100 semiconductor manufacturers use RFID to track products and materials. **FN**

For more information about RFID, visit www.howstuffworks.com/rfid.htm.

Samsung's Texas Investment

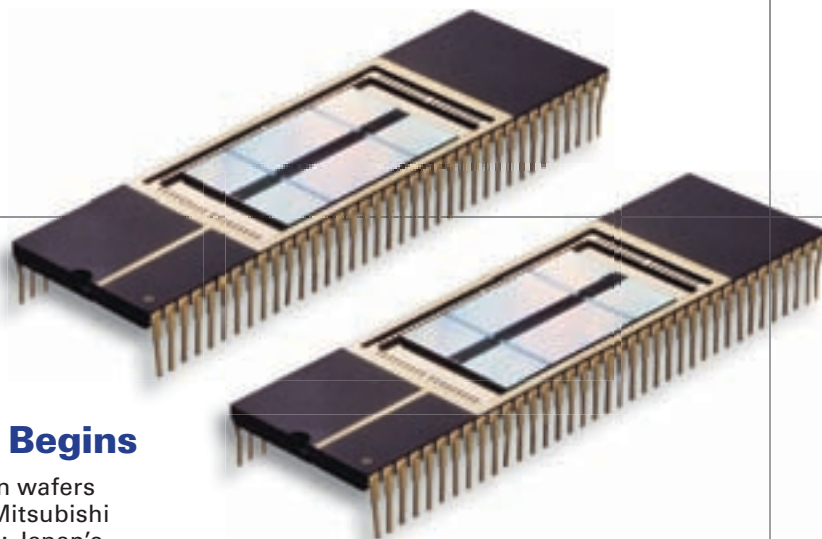
Fabrication plant Fab 1 opened in 1997, bringing \$1.4 billion in foreign investment and 1,100 jobs to Texas. In 2007, Fab 2 opened, bringing in \$3.5 billion at a 1.6 million-square-foot facility and creating 700 new jobs. This is the largest single instance of foreign direct investment in Texas history.





1 The Journey Begins

300mm and 200mm silicon wafers leave Japan's Sumitomo Mitsubishi Silicon Corporation plants; Japan's Shin-Etsu; and MEMC Korea Company and LG Siltron.



2 Gone to Texas

Wafers arrive at the Fab 1 and Fab 2 facilities in Austin. The 200mm wafers go to Fab 1, where dynamic random access memory chips are placed. The 300mm wafers go to Fab 2, where NAND flash memory chips are produced.

3 World Travel

The wafers containing chips are then sent to Samsung's assembly and testing plants. From there, they ship worldwide to technology companies.



Samsung's Fab 1 and Fab 2 facilities in Austin



Photos courtesy of Samsung

When Worlds Collide



Businesses face etiquette challenges in today's global economy.

As Texas companies do more business with foreign partners, there is increasing need for cultural awareness in the boardroom, where deals can be made or broken on a first impression.

"As we become more global, we absolutely have to educate ourselves about other countries," says Pamela Eyring, owner and director of the Protocol School of Washington (PSOW). "And it's not just the dos and don'ts, we have to include culture, arts, history and religion."

The Casual Youngster

Texas and U.S. businesses face several challenges when working with foreign partners. Informality tops the list, Eyring says. The younger work force needs to polish its business image, where casual, unkempt clothes and poor speaking skills are often the first impression of a potential client.

"We need to be more formal when first meeting with representatives from other countries," she says. "We're a very young country and a very casual society."

Texans, especially, Eyring says, are very friendly and open. That may not translate well in other countries.

"Japan, for example, is more conservative, not a slap-you-on-the-back type of society,"

Eyring says. "Personal space and distance are important there."

Understanding the communication and decision-making styles of foreign business partners is key, says Kako Ito of the Japan-America Society of Greater Austin.

"Basic etiquette is universal for developing a good relationship," says Ito.

A business card is seen as the face of the Japanese businessperson. How it is presented and handled is important in Japanese business dealings. Presents and small talk are also important elements of which Texas business people need to be aware.

"Even when you go on a short overseas business trip, you're expected to bring back a small souvenir for co-workers," says Ito. "Personal talk about family or hobbies should be kept out of the initial business meeting. Save it for the dinner meeting afterwards."

Historically, other countries spend more time and money understanding U.S. culture than the other way around. But Ito says that is starting to change as U.S. and business leaders look for solutions.

"Be well read," says Eyring. "Read up on a country's culture and history in order to not say or do something wrong." **FN**

More information on business protocol is available on the Protocol School of Washington Web site at www.psow.com.

Attention to Detail

Several areas of business etiquette are on the Protocol School of Washington's radar.

Potential pitfalls	Tips
Business cards Dirty or tattered cards are a deal breaker.	Keep plenty of fresh cards, possibly with information in both languages, in a small holder.
Conversation skills Inappropriate or awkward conversation can break a deal.	Make eye contact and don't discuss hot topics such as religion, diets, health or money.
Cyber blunders Today's e-mail can be tomorrow's problem.	Never sound angry or condescending in an e-mail, which can live forever in cyberspace.
Dining skills Avoid eating your counterpart's dinner roll.	The correct place setting is, left to right, bread – meal – water.
E-etiquette PDAs and ringing cell phones top the list of don'ts.	Keep electronic devices on vibrate or turned off.
Forgetting names Know whom you're doing business with.	Remember a name by repeating it three times: when introduced, once during conversation and when saying goodbye.
Inappropriate attire Showing too much skin is the chief complaint.	Dress the part by dressing two levels above your position.
Know the culture What's accepted in your country may not be in others.	Research other cultures online by visiting www.state.gov/countries .

Source: The Protocol School of Washington

Small Card, Big Power

At 3.5 inches by 2 inches, the business card packs a big punch in global business.

"It's sometimes said that in Japan, one's meishi, or business card, is one's face," says Kako Ito of the Japan-America Society of Greater Austin. "It's the representation of oneself that is put forward in public." Ito says this is true across the board in

Japan, even for people with the most conventional corporate jobs. It is becoming reality in

the U.S. as well, she says, especially among the self-employed.

As for the actual card exchange, it is equally important.

"In the United States, one often takes a business card and immediately puts it in one's pocket," says Ito. "In Japan, it's considered polite to study the card carefully for a minute or so, noting carefully the person's name, the company and the person's job title."

Lone Star Shining

The anatomy of a global trade leader.

A woman in Cyprus phones her son from a smartphone powered by an Austin chip-maker. He is in Brazil shopping for designer jeans born of cotton harvested just outside of Lubbock. The network that connects their call was developed in Fort Worth. You're beginning to get the idea.

It's no surprise that the Texas economy, the second-largest in the country with a value of more than \$1 trillion, is strapping. The state's business interests range from microchips to petroleum. Toss in a growing and increasingly skilled work force, along with business-friendly tax benefits, and you start to see the formula that puts Texas among the nation's top economic performers.

But the state's impact can be felt far beyond domestic borders. Computer hardware developed in Texas, for example, helps push productivity and connectivity around the world. Twenty-four percent of Texas-based Dell Computer's revenue is generated in Europe, the Middle East and Africa. Texas' global output is so strong that it has helped push the overall surge in U.S. trade.

A Moody's Economy.com report puts Dallas among the nation's top 10 most globalized cities. Indicators driving the ranking include the extent to which the state's manufacturing and service work

force is employed producing goods and services for export, the number of packages exported, and the share of the work force employed by foreign-owned companies.

Diverse industry clusters throughout the state cultivate a competitive edge. Dallas/Fort Worth houses a telecom corridor, while Austin contains strong semiconductor and education industries. Houston excels in oil and medical research and innovation. Lubbock and Amarillo deliver the bulk of the state's agricultural output. These globally traded commodities put Texas on the A-list of über-successful economies that compete worldwide.

Brainpower at Work

"Factors that contribute to our success include high concentrations of firms that excel because they are pushed to compete and rely on a strong supplier base nearby," says Beto Pallares, executive director of the TransPecos/El Paso Regional Center of Innovation and Commercialization.

Texas delivers a superb work force. Education and training from universities and technical schools prepare students to contribute to the advancement of a number of industries. Schools such as the University

of Texas, Texas A&M and Texas Tech University pump scores of engineers, doctors, agriculturalists and researchers into the stream of innovation coursing throughout the state.

"You'll find a direct correlation between globally prepared industries and the academic performance of students from that area," Pallares says. "The secret lies in investing in our citizens' brainpower. That's the key input to the knowledge economy."

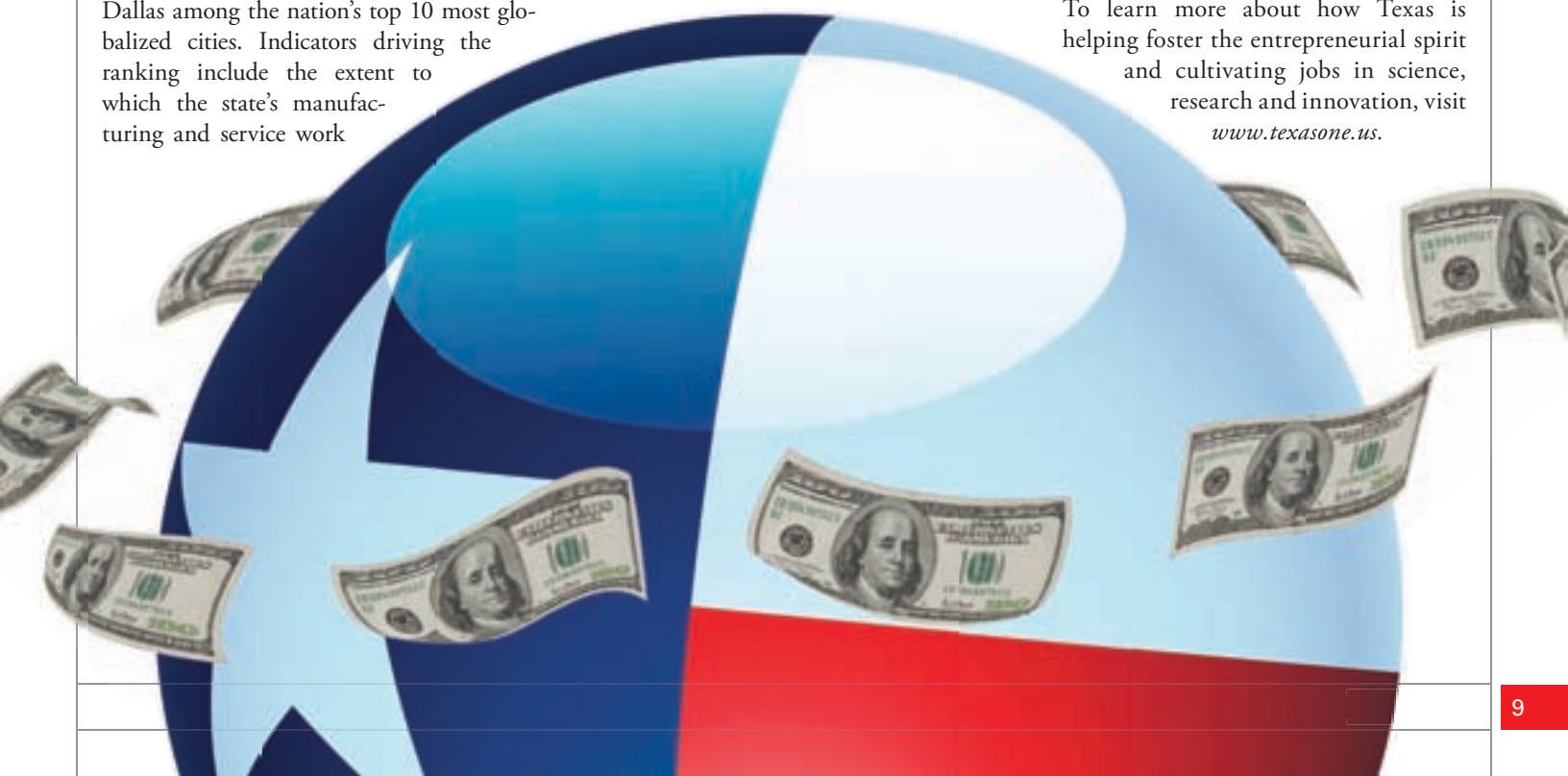
State officials have been busy investing in Texas-based entrepreneurs and start-ups. The idea is to foster new ideas, develop innovation and share new technology on the global markets.

Pallares says the Texas Emerging Technology Fund, an initiative to attract science, research and high-tech jobs to the state, is an example of how government, industry and academia can leverage specific strengths to better position emerging technologies and develop faster access to resources and compete globally.

"Embracing technology, especially in the government sector, is crucial," he says. "Texas has been a driving force in this approach." **FN**

To learn more about how Texas is helping foster the entrepreneurial spirit and cultivating jobs in science, research and innovation, visit

www.texasone.us.



CONTINUED FROM PAGE 1

Gateways to the Globe

John Martin, president of Pennsylvania-based Martin Associates, which provides economic analysis to seaports, agrees.

"The canal will allow larger ships to come in, posing a significant opportunity for the Port of Houston and for all container ports in Texas, including Galveston and Corpus Christi," he says.

Terminal Velocity

At the Port of Corpus Christi, work is progressing on its \$400 million planned La Quinta Trade Gateway Container Terminal.

"The La Quinta plan ties in perfectly with the timing of the Panama Canal expansion," says John Valls, marketing manager for the Port of Corpus Christi Authority. "La Quinta is positioned to capture the growing container cargo volumes that will be coming into the Gulf ports as a result of the Panama Canal expansion."

During its initial year of operation, La Quinta will handle 30,300 containers and generate 608 direct and indirect jobs, \$35 million of business revenue and \$32 million of personal wages, salaries and consumption purchases. By its 20th year, or at full build-out, the terminal is projected to handle 703,800 containers annually.

In Houston, PHA officials in 2007 opened the first berth and about 65 acres of the planned 1,043-acre Bayport Container Terminal. When complete, the \$1.4 billion container and cruise terminals will have a capacity of about 2.3 million TEUs and will be built out in phases to meet market demand. After five years of operation, the terminal is projected to generate more than 9,800 jobs and \$35.6 million in state and local taxes.

Bayport opened another 50 acres of container yard this year, Edmonds says.

"My expectation would be that we'll build out Bayport about as fast as we can build it," he says. "There will be enough pressure from our customer base to build it."



Port of Corpus Christi

Port of Corpus Christi Top Trading Countries by Total Trade – 2006



Source: Port of Corpus Christi

Award-Winning Port

In 2008, PHA received the President's E Star Award for export service in recognition of its continuing support of export growth in the U.S. business community for at least five years. PHA was among four U.S. organizations this year to receive the prestigious honor.

The award reflects the port's export growth. From 2002 to 2006, the Houston port experienced year-over-year export trade growth between 4 percent and 9 percent. Brazil was among its leading export trading partners in 2006 with 2.024 million short tons. (A short ton is 2,000 pounds.) Exports to Belgium totaled \$2.36 billion in U.S. dollars in 2006.

"It's a compliment to Texas and to producers as well as to the port," Edmonds says. "For the first time ever, the Port of Houston is slightly tilted for more exports than imports. We're now 60/40 exports to imports. There is more and more Texas product being shipped abroad, partly because of the [weak] dollar and partly because of needs around the world."

Major trading partners shipping containers in and out of Houston are based in northern and southern Europe, the Mediterranean, Mexico and Latin America and western Africa. In recent years, growing portions of Houston's containerized cargo have moved to and from China and East Asia.

La Quinta Kick-Off

In June, Port of Corpus Christi officials were evaluating proposals from firms to develop and operate the La Quinta terminal.

La Quinta's planners conceived the project 10 years ago as a solution to the problem of growing congestion affecting traditional international gateways for containerized cargo.

Since then, the Port of Corpus Christi has purchased 1,100 acres on Corpus Christi Bay and has completed engineering and environmental studies of the site.

This work allowed the Port to obtain permits for dredging and

Leading the Nation

Three Texas ports are among the top 10 U.S. ports that move cargo.

U.S. Port Cargo Rankings 2006

Port/State	Tons
South Louisiana, LA	225,489,499
Houston, TX	222,146,750
New York/New Jersey	157,630,099
Long Beach, CA	84,393,795
Beaumont, TX	79,485,704
Corpus Christi, TX	77,557,478
Huntington, Tristate (WV, OH, KY)	77,157,809
New Orleans, LA	76,901,327
Los Angeles, CA	65,978,238
Mobile, AL	59,832,197

Source: U.S. Army Corps of Engineers

extending the ship channel just over a mile to the project site from the U.S. Army Corps of Engineers and other regulatory agencies. The new federal Water Resources Development Act would allot an estimated \$30 million toward building the 1.5-mile extension to connect La Quinta with the Corpus Christi Ship Channel. While Congress passed the legislation, it has not yet appropriated the funds, Valls says.

By increasing the amount of cargo moving through the port, La Quinta will have a positive economic effect on the entire region, says Valls.

“The job growth is going to be phenomenal, from truck drivers to pilots to line

handlers to stevedores,” he says. “You’re going to have associated industrial parks and warehouses, and they all have to be serviced. You’ll probably have hotels pop up and restaurants.”

A Martin Associates study estimates that by its 20th year of operation, La Quinta will generate nearly 15,000 jobs with \$785.7 million in personal earnings and about \$70.7 million in annual state and local taxes.

Texas’ existing transportation infrastructure and readily available land position the state to command a leading role in meeting the increasing demands of global commerce.

“We’ve got a lot of growth opportunity here,” says Edmonds. **FN**



Port of Houston Leading Trading Partners 2007

Photo courtesy of Port of Houston Authority

Leading Trading Partners by Combined Tonnage

Country	Combined import and export by tonnage
Mexico	29,103,008
Venezuela	10,644,711
Saudi Arabia	8,489,250
Algeria	6,237,307
China	5,682,822

Source: Port of Houston Authority

Leading Trading Partners by Dollar Value

Country	Combined import and export by dollar value
Mexico	\$12,222,292,226
Venezuela	5,850,562,714
China	5,763,474,339
Germany	5,536,554,234
Brazil	5,181,763,756

Brief Bytes

WeCAN Surf the Internet

WiFi service has come to one low-income Houston neighborhood, with several more on the planning calendar through the city's Digital Inclusion Initiative. The Wireless Empowered Community Access Network (WeCAN) bubble went live in March 2008. Nine more are planned over the expected two-and-a-half year build-out.

The initiative is funded through a \$5 million settlement from Earthlink, which the city received after the company withdrew from a wireless Internet contract.



Nonfarm Employment on the Rise

The state's nonfarm employment rose 2.4 percent from May 2007 to May 2008, compared with a close to zero percent increase for the United States.

Oil price increases fueled jobs in the state's natural resources and mining industry, which gained 14,500 jobs from May 2007 to May 2008 and ranked first among Texas industries in employment growth rate, according to the Texas Real Estate Center's June 2008 economic review.

Professional and business services in the state gained 68,500 jobs from May 2007 to May 2008, growing about 5.4 percent.

To see more of this report, visit www.recenter.tamu.edu/econ.

(Tracey Lamphere)

E-bids for Surplus Goods

Texas A&M University-Kingsville has joined more than 50 Texas cities, governments and universities selling surplus goods through an online auction Web site.

The university regularly holds on-campus auctions but has also sold camera equipment, televisions, exercise equipment, furniture and more through www.publicsurplus.com.

"The Web site adds to our efforts to put our surplus property into the hands of people who want it, as it becomes available," says Rhonda Mejia, property manager at the university. "It's a fast, easy way for people to locate items they want at very inexpensive prices."

Auction funds go toward general operations of the university.

For more information, contact Jill Scoggins, (361) 593-2146, jill.scoggins@tamuk.edu, or visit www.tamuk.edu/news/releases.

To view surplus listings provided by the Comptroller's office, visit www.texasahead.org/lga/surplus.

(Clint Shields)



"We're proud of this very important inclusion initiative," says Bill White, Houston's mayor. "It provides a necessary resource for our low-income neighborhoods by making digital literacy and access to technology a means to acquire skills, education and certifications needed to achieve real quality of life change."

For more information, contact Blanca Quezada, (832) 393-1382, blanca.quezada@cityofhouston.net.

(Clint Shields)

Attic Treasures, Through the Ceiling

Comics fans with fat wallets swept through Dallas recently and went home with some unique treasures — and a \$3.7 million tab.

That's the amount realized in Heritage Auction Galleries' comics and comic art auction, which took place on May 23.



Since its establishment in 1976, Dallas-based Heritage has risen to become the world's third-largest auction house. While Heritage handles more conventional collectibles, such as rare furniture, coins and fine art, it has also carved out a leading role as a seller of high-end pop culture collectibles, including comics, movie posters and sports cards.

The May auction featured a number of record-setting results, including a restored copy of Action #1, featuring the first appearance of Superman, which sold for more than \$116,000.

For more information on Heritage auctions, visit www.ha.com.

(Bruce Wright)

Dublin's Biogas Plant Breaks Ground

Environmental Power Corporation has begun construction of its renewable natural gas facility, Rio Leche Estates in Dublin, Texas. Owned and operated by a subsidiary, Microgy Inc., the facility will generate pipeline-grade gas from dairy cow manure and other waste products.

Rio Leche could generate 635,000 MMBtu (million British thermal units) per year, equal to the energy produced from 4.5 million gallons of oil. Construction is scheduled for completion in early 2009.

For more information on the Rio Leche facility, visit www.environmentalpower.com.
(Tracey Lamphere)



Texas Public Utility Commission Approves Wind Transmission Plan

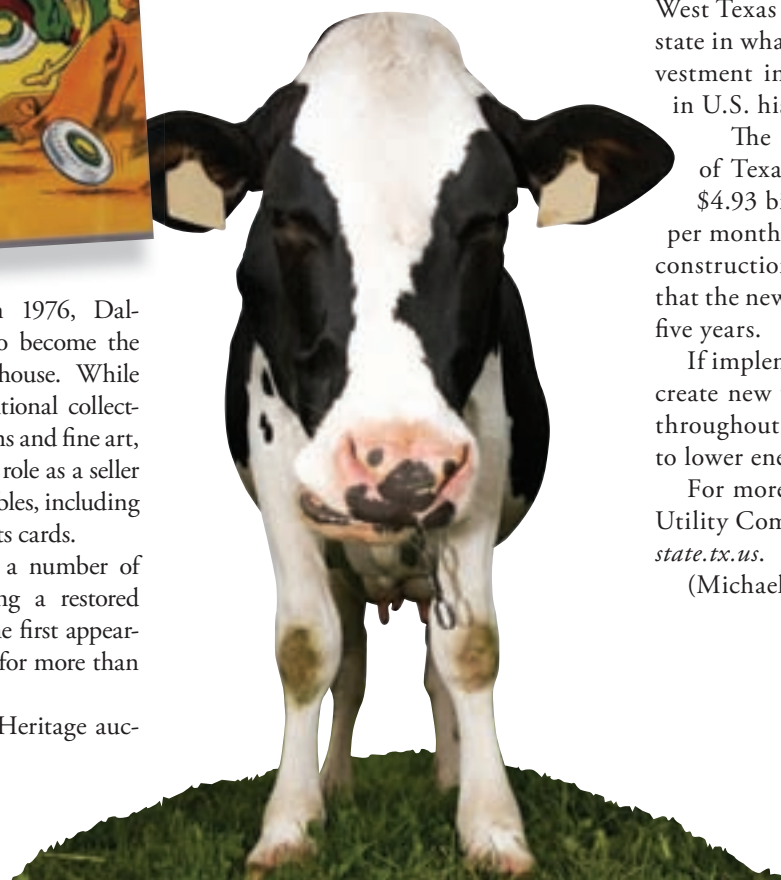
Utility officials in Texas have given preliminary approval to a \$4.9 billion plan to carry wind-generated electricity from West Texas to urban areas throughout the state in what some argue is the biggest investment in clean and renewable energy in U.S. history.

The Public Utility Commission of Texas estimated the plan's cost at \$4.93 billion, or approximately \$4.00 per month per residential customer once construction is complete. It is expected that the new lines will be in service within five years.

If implemented, the plan is expected to create new wind power projects and jobs throughout the state, while contributing to lower energy costs.

For more information, visit the Public Utility Commission of Texas at www.puc.state.tx.us.

(Michael Castellon)

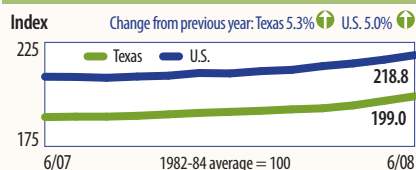


Texas by the Numbers

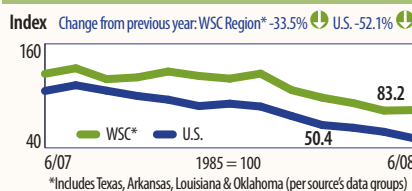
Key Texas Economic Indicators

If it were not for Texas' job growth, the nation would have seen a net loss of jobs over the past twelve months. With Texas' gain of 245,000 jobs, the nation eked out a gain of 15,000 jobs. Texas added jobs in all major industries except manufacturing. Even with a drop in housing permits, the state's construction employment grew in response to non-residential and highway construction. Year-to-year inflation increased in June at its fastest rate since 1991.

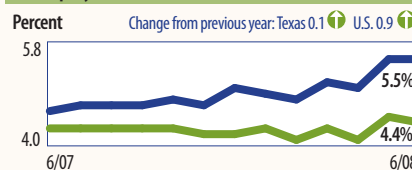
Consumer Price Index



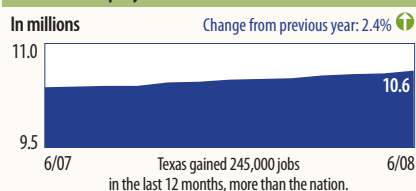
Consumer Confidence Index



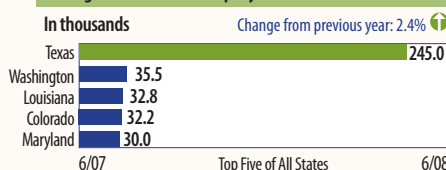
Unemployment Rate



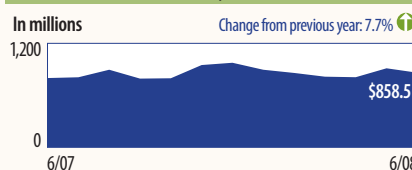
Nonfarm Employment



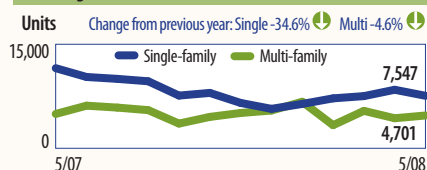
Change in Nonfarm Employment



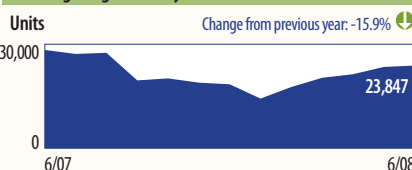
State Sales Tax Collections, Retail Establishments



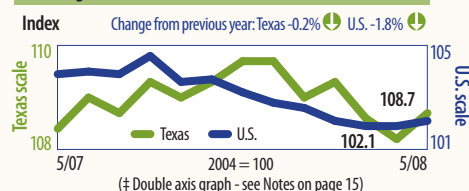
Housing Permits



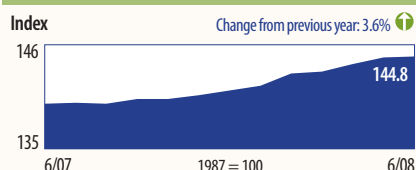
Existing Single-family Home Sales



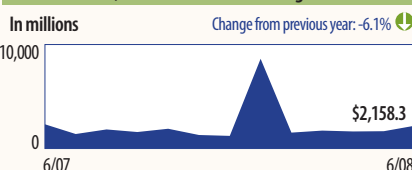
Leading Economic Indicators Index



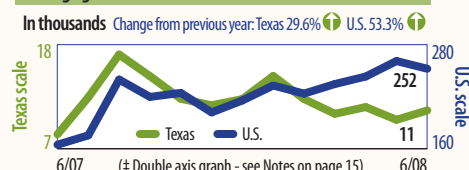
Industrial Production Index



Contract Value, Non-Residential Building Construction



Mortgage Foreclosures



Texas Production and Consumption Indicators

	Crude Oil Production	Natural Gas Production	Active Oil & Gas Drilling Rigs	Motor Fuels Taxed		Median Sale Price, Existing Single-family Home	Auto Sales	Cigarettes Taxed
	Value	Value	Units	Gasoline	Diesel	Dollars	Net Value	Packages of 20
Date	(Millions)	(Millions)		(Millions of Gallons)			(Millions)	(Millions)
2006	\$19,657.5	\$19,852.1	746	11,372.8	3,731.6	\$143,100	\$45,756.2	1,280.2
2007	20,893.0	24,373.4	834	11,624.8	3,886.9	147,500	48,500.6	1,085.8
Apr-07	\$1,558.2	\$1,977.5	824	968.2	369.2	\$146,400	\$4,233.3	109.7
May-07	1,557.8	2,276.0	829	983.1	248.5	149,200	4,227.3	92.3
Jun-07	1,556.1	2,295.4	834	1,002.3	326.8	155,000	4,159.0	89.5
Jul-07	1,769.9	2,183.2	831	978.2	326.3	152,200	4,368.3	96.2
Aug-07	1,790.1	2,052.2	844	974.3	320.5	152,700	4,383.8	151.3
Sep-07	1,948.8	1,893.7	837	1,021.1	360.6	146,900	4,294.2	29.3
Oct-07	1,958.8	2,073.1	842	939.6	315.9	143,500	4,303.5	96.1
Nov-07	2,311.3	2,049.9	860	1,025.7	371.5	144,900	3,678.9	92.8
Dec-07	2,225.6	2,294.7	884	965.8	342.4	147,500	3,828.5	88.2
Jan-08	2,332.2	2,451.3	858	985.8	313.7	138,900	4,034.0	76.7
Feb-08	2,270.8	2,552.0	866	954.2	343.2	142,800	3,840.8	80.2
Mar-08	2,528.4	3,043.3	881	940.6	324.1	147,000	3,940.0	79.1
Apr-08	2,651.1	3,139.5	887	1,010.4	281.1	146,800	3,957.8	90.5
May-08	2,961.9		906	975.8	343.1	150,700	3,791.7	98.3
Jun-08			923	1,018.3	331.5	155,900		89.6

June Cash Condition¹

(Amounts in millions)	General Revenue	Other Funds	Total Cash
Beginning Balance May 1, 2008	\$10,490.2	\$18,693.2	\$29,183.4
Revenue/Expenditures			
Revenue	9,181.9	1,588.2	10,770.1
Expenditures	5,734.3	1,850.1	7,584.4
Net Income (outgo)	\$3,447.6	\$-261.9	\$3,185.7
Net Interfund Transfers and Investment Transactions	\$-1,456.6	\$1,343.6	\$-113.0
Total Transactions	1,991.0	1,081.7	3,072.7
End Cash Balance June 30, 2008²	\$12,481.2	\$19,774.9	\$32,256.1

¹ Cash stated is from the Comptroller's Uniform Statewide Accounting System (USAS) and will vary from the amounts reflected in the cash accounts of the Treasury Operations Division of the Comptroller's office due to timing differences. Net amounts shown (less refunds) exclude funds that are authorized to be held outside the State Treasury and are not processed through USAS. Suspense and Trust Funds are included, as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.

² The ending General Revenue Fund Balance includes \$2.5 billion derived from the sale of cash management notes.

State Revenue/All Funds¹

(Amounts in millions)	Monthly Revenue	Fiscal Year-to-Date	
	June 2008	Revenue	% Change YTD/YTD
Tax Collections by Major Tax			
Sales Tax	\$1,778.6	\$17,721.2	6.1%
Oil Production Tax	158.1	1,119.3	64.8
Natural Gas Production Tax	256.5	2,039.7	33.1
Motor Fuel Taxes	264.6	2,591.7	2.3
Motor Vehicle Sales Tax	270.7	2,767.9	2.1
Franchise Tax	3,421.2	4,275.8	54.6
Cigarette & Tobacco Taxes	137.2	1,195.3	22.6
Alcoholic Beverages Tax	70.1	649.3	7.4
Insurance Companies Tax	14.0	906.1	7.5
Utility Taxes ²	1.0	341.7	-2.7
Inheritance Tax	0.1	5.5	29.3
Hotel/Motel Tax	32.2	300.9	9.0
Other Taxes ³	-104.8	983.9	-5.7
Total Tax Collections	\$6,299.5	\$34,898.2	12.5%
Revenue by Receipt Type			
Tax Collections	\$6,299.5	\$34,898.2	12.5%
Federal Income	2,409.3	21,588.6	7.1
Interest and Investment Income	254.2	2,441.6	5.0
Licenses, fees, permits, fines,	538.5	8,937.4	57.9
Contributions to Employee Benefits	445.2	3,971.1	7.2
Sales of Goods and Services	35.4	383.8	-4.8
Land Income	92.9	825.4	25.5
Net Lottery Proceeds ⁴	114.5	1,337.1	4.2
Other Revenue Sources	580.7	5,866.4	4.1
Total Net Revenue	\$10,770.1	\$80,249.5	13.3%

¹ Excludes revenues for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Includes the utility, gas utility administration and public utility gross receipts taxes.

³ Includes the cement and sulphur taxes and other occupation and gross receipt taxes not separately identified.

⁴ Gross sales less retailer commissions and the smaller prizes paid by retailers.

Notes:

Crude oil and natural gas figures are net taxable values. Gasoline gallons include gasohol. Auto sale values are calculated from motor vehicle taxes collected on new and used vehicle sales. All figures are seasonally adjusted, except for sales tax collections; rigs; consumer price; housing permits/sales/prices; and consumer confidence. Figures are based on the most recent available data. Annual figures are for calendar years. [† Double axis graphs: Graphs with two vertical axes show values for Texas on the left and values for the U.S. on the right. This method shows trends more clearly over the last year when data values are substantially different at state and national levels.]

Sources:

Key Texas Economic Indicators:

Consumer Price Index, Change in Nonfarm Employment: U.S. Bureau of Labor Statistics

Consumer Confidence Index: The Conference Board

Leading Economic Indicators Index: Texas Comptroller of Public Accounts, The Conference Board

Unemployment Rate: Texas Workforce Commission, U.S. Bureau of Labor Statistics

Nonfarm Employment: Texas Workforce Commission

State Sales Tax Collections, Retail Establishments: Texas Comptroller of Public Accounts

Housing Permits, Existing Single-family Home Sales: The Real Estate Center at Texas A&M University

Industrial Production Index: Federal Reserve Bank of Dallas

Contract Value, Non-Residential Building Construction: McGraw-Hill

Mortgage Foreclosures: RealtyTrac

Texas Production and Consumption Indicators:

Crude Oil, Natural Gas, Motor Fuels, Auto Sales, Cigarettes: Texas Comptroller of Public Accounts

Active Oil & Gas Drilling Rigs: Baker-Hughes Incorporated

Median Sale Price, Existing Single-family Home: The Real Estate Center at Texas A&M University

State Expenditures/All Funds¹

(Amounts in millions)	Monthly Expenditures	Fiscal Year-to-Date	
	June 2008	Expenditures	% Change YTD/YTD
By Object			
Salaries and Wages	\$811.2	\$8,279.1	4.4%
Employee Benefits/Teacher Retirement Contribution	702.6	7,043.6	7.0
Supplies and Materials	71.0	750.5	15.4
Other Expenditures	201.4	2,195.7	4.3
Public Assistance Payments	2,879.4	26,864.2	7.9
Intergovernmental Payments:			
Foundation School Program Grants	1,307.6	16,287.4	28.3
Other Public Education Grants	1,746.9	3,922.8	3.9
Grants to Higher Education	92.9	865.9	6.2
Other Grants	198.2	1,911.1	11.3
Travel	14.5	122.5	9.5
Professional Services and Fees	103.9	1,675.3	2.4
Payment of Interest/Debt Service	40.2	652.0	5.6
Highway Construction and Maintenance	503.3	4,397.2	-7.3
Capital Outlay	30.0	377.6	34.1
Repairs and Maintenance	47.0	518.2	13.1
Communications and Utilities	38.9	413.1	6.0
Rentals and Leases	18.3	209.9	4.8
Claims and Judgments	7.1	90.2	34.5
Cost of Goods Sold	73.5	688.1	-3.3
Printing and Reproduction	3.9	36.5	-2.1
Total Net Expenditures	\$7,584.4	\$77,300.7	9.8%

By Function

General Government

Executive	\$472.9	\$4,704.5	8.0%
Legislative	9.7	102.3	-4.1
Judicial	15.3	198.3	5.1
Subtotal	498.0	5,005.2	7.6
Health and Human Services	2,766.7	25,687.8	6.8
Public Safety and Corrections	330.1	3,472.5	7.2
Transportation	678.9	6,484.0	-2.3
Natural Resources/Recreational Services	170.5	1,655.6	9.7
Education	2,393.3	27,262.4	17.7
Regulatory Agencies	25.9	240.9	20.1
Employee Benefits	611.6	6,115.7	8.5
Debt Service—Interest	40.2	652.0	5.6
Capital Outlay	30.0	377.6	34.1
Lottery Winnings Paid ²	39.2	347.1	-11.3
Total Net Expenditures	\$7,584.4	\$77,300.7	9.8%

¹ Excludes expenditures for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Does not include payments made by retailers. Previously shown as "Other expenditures."

Some revenue and expenditure items have been reclassified, changing year-to-date totals. The ending cash balance is not affected because changes reflected in "total net revenues" and "total net expenditures" offset changes in "net interfund transfers and investments transactions" in the cash condition table.

Revenues and expenditures are reported for the most recent month available and as a running total for the current fiscal year-to-date. In addition, year-to-date figures are compared with the same period in the last fiscal year. These comparisons are reported as percentage changes, which may be positive or negative (shown by a minus sign).

Trust fund transactions are included within revenues and expenditures in the "all funds" presentations. Trust funds are not available to the state for general spending.



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FISCAL NOTES also provides a monthly summary of the financial statements for the State of Texas.

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Top Texas Exports to Foreign Countries



Dollar amounts in billions

Product	Value	Percent
Chemical Manufactures	\$34.9	20.8%
Computers & Electrical Products	33.6	20.0%
Machinery Manufactures	24.7	14.7%
Transportation Equipment	16.2	9.7%
All Others	58.4	34.7%
Grand Total	\$168.1	

Source: U.S. International Trade Administration (2007)

FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts

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